

CITY OF LINCOLN COUNCIL ADOPTED BUDGET FISCAL YEAR 2002-2003 BUDGET SUMMARY

This summary addresses revenue estimates for all tax funds, expenditure information for all tax funds, and significant changes for each department from the previous year's budget for all funds.

All tax funds identifies the following:

- General Fund
- Library Fund
- Social Security Fund
- Police and Fire Pension Fund
- Unemployment Compensation Fund
- Bond Interest and Redemption Fund

The funds listed above are in this classification because each receives property taxes as a source of its revenue. However, they are not limited exclusively to property tax revenues. The term property tax revenue refers to the amount of revenue from property taxes that will be required to operate during the next fiscal year. The property tax rate refers to the rate that is levied upon property in order to raise the budgeted property tax revenue. The City Charter requires that a 10% surplus be added to the property tax revenue when the tax rate is determined. This is done by appropriating only 90% of the property tax revenues that the levy rate will generate.

In addition to the tax funds referred to above, the following funds, referred to as tax subsidized funds in this summary, receive a portion of their funding via transfers from the General Fund. These are:

- Health Fund
- 911 Communications Fund
- Animal Control Fund
- Building and Safety Fund
- Lincoln Area Agency on Aging Fund
- StarTran Fund
- Workforce Investment Act Fund

Interfund transfers are included in the Miscellaneous Budgets section of this book. There are also many funds contained in the operating budget that do not receive tax revenue. The Summary of Staffing and Operating Expenditures By Fund and Department on pages 22 and 23 of this section of the Budget provides a complete summary of all funds included in the operating budget.

BUDGET OVERVIEW

The budget process faced the challenge of closing a \$5.5 million gap between projected revenues and projected expenditures. This shortfall of revenues to expenditures was highlighted in projections for the City's Five Year Budget Forecast released in December of 2001. Factors identified in the Forecast which contributed to the problem included a slowing of current revenue growth to less than 2% and a predicted increase in personnel costs for existing services of 6.6%. As the budget was developed, changes from forecasted amounts of salary increases for unrepresented employees produced savings from earlier projected amounts. Savings in personnel costs were also achieved through the elimination of a net of approximately twenty nine (29) full time equivalent positions that had previously been included in the budget. A combination of program changes, fee adjustments, a drastic reduction in the Capital Improvement Program and better than projected Health Care insurance rates were utilized to arrive at a balanced budget for 2002-2003.

The 2002-2003 budget for the tax funds complies with the State imposed lid passed by the 1998 Legislature in LB 989. Key provisions of the lid include:

- Appropriations from various revenue sources (property taxes, motor vehicle taxes, sales tax, in-lieu of tax, state aid, highway allocation fees) are limited to the greater of a 2.5% increase or the percentage increase in the tax base provided by real growth and annexations. The percentage increase provided by real growth and

annexations is estimated at 3.2% and is the amount under the lid that restricted funds are allowed to increase in addition to other lid exceptions.

- Capital improvements and debt service payments on voter approved bond issues are exempt from the lid.
- Costs associated with inter-local agreements are exempt from the lid. The City again excludes several long-standing inter-local agreements from the lid limitation.
- An additional 1% (about \$640,000) of authorization under the lid limit can be authorized by a 75% vote of the City Council. The budget did not require City Council action to authorize an additional 1%.

As a result of the 2002-2003 budget and previous budgets, the City has \$16,364,161 of unused lid authority that is being carried forward to 2002-2003 and future fiscal years budget.

The net change in full time equivalents (fte's) for all funds is a decrease of 15.6. 28.6 existing full time equivalent positions are eliminated from the budget, partially offset by the addition of about 13.7 full time equivalent positions to staff facilities and programs for a full fiscal year as compared to a partial fiscal year for 2001-2002 and other reprioritizations of services and programs. A more thorough explanation of changes in staffing is included in the PERSONNEL CHANGES ALL FUNDS section of this summary. Further detail is included in the SIGNIFICANT BUDGET CHANGES BY DEPARTMENT and SUMMARY OF STAFFING AND OPERATING EXPENDITURES BY FUND AND DEPARTMENT.

The 2002-2003 budget for all funds incorporates the following program changes and new initiatives:

Significant Program Reductions:

- Elimination of 1.8 FTE nursing positions could impact the Walk-In Clinic and lower utilization Health Stations.
- The Nuisance Program at the Health Department is not funded. Calls involving rodent infestation will still be responded to.
- The Bennett Martin Public Library will open at 10 a.m. instead of 9 a.m. Monday through Saturday.
- One LIFE Counselor position is eliminated in the Aging Divisions as well as a position associated with Intergenerational programming.
- The printing of newsletters is eliminated in Aging and Personnel but they will be provided electronically.

Additions and Other Initiatives:

- The new Bess Dodson Walt and Loren Corey Eiseley branch libraries opened during the current fiscal year. Operating costs are budgeted for a full fiscal year for 2002-2003.
- The new F Street Recreation Center opened in the spring of 2002 and is budgeted for the first full year of operation in 2002-2003.
- A proposed bond issue for two new fire stations in north and south Lincoln is included in the Capital Improvement Program and will be on the November 2002 ballot.
- A proposed bond issue for trail and sidewalk maintenance and repair is included in the Capital Improvement Program and will be on the November 2002 ballot.
- The Haymarket Parking Garage will open in the fall of 2002 and operating costs are included in the budget.
- A new prosecutor was added in the Law Department during the City Council phase of the budget process.
- Funding for various studies related to implementation of the new Comprehensive Plan are included in the Planning Department budget. These costs are shared with Lancaster County.
- An additional \$250,000 is budgeted to fund the Police and Fire Pension Plan to phase in increased funding to a level closer to the actuarially determined normal cost.
- Funding to relocate the Aging Division and Urban Development Department is included to allow for redevelopment of the Old Federal Building.

Changes in revenues included in the 2002-2003 budget affecting the tax and tax subsidized funds are highlighted below. Notable changes for 2002-2003 include an expansion of the Sales Tax base passed by the 2002 Nebraska Legislature.

The other revenue changes involve fees charged for City services. Without periodic increases in fees, inflationary cost increases would need to be covered by additional tax revenue or the levels of service provided would need to be reduced. The adequacy of fees charged for City services are examined each year and some fee increases are included in each annual budget.

<u>Significant Changes to Fees – Tax Supported and Tax Subsidized Budget</u>	
<u>Description</u>	<u>2002-2003 Impact</u>
• Expansion of the Sales Tax base as passed by the 2002 Nebraska Legislature to include certain services.	\$634,091
• Recognition of revenue from providing and charging for criminal histories over the internet.	\$90,000
• New revenue to be received from Lincoln Public Schools for elementary school resource officers	\$55,000
• Increase of various rates at the Parks and Recreation Department including shelter rentals, pool admissions, day camps, before and after school programs and recognition of revenue from concessions and field rental for baseball and soccer at Densmore Park.	\$154,644
• Increase reimbursements for childhood immunizations for income levels of clients that can afford to pay.	\$28,350
• Implementation of a new fee of \$100 per site for hazardous waste storage sites.	\$18,207
• Increase animal control fees for unaltered dogs and cats from \$24 to \$25 and altered dogs and cats from \$12 to \$15.	\$75,000
Total Revenue Impact to the Tax Funded Budget	\$1,055,292

Other changes in amounts of revenue projected to be collected are highlighted in the REVENUE PROJECTIONS - TAX FUNDS section of this Budget Summary.

SIGNIFICANT EXPENDITURE CHANGES

TAX FUNDS

NET CHANGE IN EXPENDITURES 2001-2002 TO 2002-2003	+\$2,406,309
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The change in tax fund expenditures is a 2.2% increase over the 2001-2002 budget.

1. OPERATING EXPENDITURE CHANGES 2001-2002 TO 2002-2003	+\$4,102,109
(Excludes Capital Improvements and Debt Service)	

The net increase in the operating portion of the Tax Funds Budget is comprised of increases in Personnel \$2,965,468, Supplies -\$50,416, Other Services and Charges \$762,769, Transfers \$457,498, and Equipment -\$33,210.

2. CHANGES IN CAPITAL IMPROVEMENTS 2001-2002 to 2002-2003	-\$1,940,700
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The Capital Improvement Program (C.I.P.) includes \$102,600 of tax funding compared to \$2,043,300 of tax funding in the 2001-2002 budget.

3. DEBT SERVICE PAYMENT CHANGES 2001-2002 to 2002-2003	+\$244,900
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Storm Sewer bonds approved by the voters during the spring of 2001 were issued. Bond proceeds are used to pay for the first year debt service of \$376,758.

TAX FUNDS CHANGES BY LINE ITEM

Some of the significant line item changes in the 2002-2003 Tax Funded Budget from the 2001-2002 Budget are summarized below.

	<u>Tax Funds Only</u>
<u>PERSONNEL</u>	
Changes in salary and other personnel costs (excl. Health Ins.)	+\$2,377,925
Health Insurance	+\$587,543
<u>SUPPLIES</u>	
Fuel and Oil	-\$61,136
<u>SERVICES & CHARGES</u>	
Consultant Services	+\$116,797
Mileage - City Vehicles	+\$104,696
Election Expense	+\$190,000
Miscellaneous Other Services and Charges	-\$169,548
<u>CAPITAL OUTLAY</u>	
Data Processing Equipment	-\$105,550
<u>CAPITAL OUTLAY - IMPROVEMENTS</u>	
Capital Improvements General Revenue (CIP)	-\$2,147,700
<u>TRANSFERS</u>	
City Share of Aging	+\$259,657
City Share of Health	-\$85,704
City Share of 911 Communications	+\$161,665

PERSONNEL CHANGES - ALL FUNDS

The 2002-2003 budget results in the changes in staffing noted below. The changes outlined are the more significant changes which take place although there are many other changes as a result of job audits and other routine personnel actions which can change job titles and pay ranges. In addition, a few positions were vacated through retirements or terminations and replaced with other positions. For more information on staffing by department, please see the BUDGET CHANGES BY DEPARTMENT section.

**POSITIONS ELIMINATED
ALL FUNDS
(In Full Time Equivalents – FTE's)**

<u>FTE's</u>	<u>Description/Department</u>
	<u>Public Works and Utilities</u>
1.0	Garage Supervisor - StarTran
1.0	Engineering Tech - Water
1.0	Environmental Specialist I – Wastewater
2.0	Associate Engineering Specialist – Engineering
.5	Office Assistant II
1.0	Accountant – Business Office
	<u>Building and Safety</u>
.5	Office Assistant III
1.0	Housing Inspector II
	(Both positions above were originally for the duplex inspection program which was not implemented)
	<u>Health</u>
1.8	Public Health Nurse
1.0	Environmental Health Spec. – Nuisance Prog.
.5	Env. Health Spec. moved to non-budgeted grant
1.0	System Specialist II
.5	Office Assistant III
	<u>Finance</u>
1.0	Micro Support Specialist – Information Services
1.0	Radio Systems Technician – Radio Shop
	<u>Personnel</u>
.4	Para-Professional/Technical Worker
	<u>Mayor – Aging</u>
.8	Aging Specialist II
1.0	Aging Specialist III
1.0	Aging - Systems Supervisor
.5	Aging – Office Assistant II
	<u>Mayor – CIC</u>
1.1	Para-professional/technical Worker
	<u>Parks and Recreation</u>
1.0	Landscape Architect
1.0	Parks Operations Coordinator
1.0	Office Assistant II
1.8	Intermediate Level Worker

	<u>Libraries</u>
1.0	Library Assistant III
.4	Library Aide
	<u>Police</u>
.8	Para-Professional
1.0	Records Supervisor
<u>1.0</u>	Stores Clerk II
28.6	Total Positions Eliminated

Funding the positions eliminated would have cost approximately \$1.3 million in the 2002-2003 fiscal year. New positions added in the budget are itemized below. Details about the positions added are in the SIGNIFICANT BUDGET CHANGES BY DEPARTMENT section.

**POSITIONS ADDED
ALL FUNDS
(In Full Time Equivalents – FTE's)**

<u>FTE's/ Dept./Organization/Program</u>	<u>Estimated City Personnel Cost</u>	<u>Estimated New City Tax Dollars</u>
<u>Watershed Management/Stormwater Permit – Full Year Funding</u>		
.7 PW&U/Engineering Specialist/Stormwater, Floodplain	\$47,527	\$47,527
.3 PW&U/Engineer/Stormwater, Floodplain	\$18,666	\$18,666
.3 PW&U/Senior Engineering Specialist/NPDES Permit	\$17,214	\$17,214
<u>New Parks and Recreation Facilities including Densmore Park, Learning Centers, new park acres and new trail miles and other new facilities</u>		
1.6 Parks and Rec./Intermediate Level Worker	\$24,960	\$24,960
<u>Staffing for new branch libraries for a full year</u>		
1.7 Libraries/Library Assistant II	\$45,441	\$40,896
1.0 Libraries/Library Assistant III	\$40,000	\$36,000
.3 Libraries/Librarian I	\$11,726	\$10,569
.1 Libraries/Library Supervisor I	\$4,459	\$4,018
1.5 Libraries/Entry Level Worker	\$16,068	\$14,482
<u>Other Staffing additions</u>		
.2 Finance/Emerg. Comm./Office Assistant II	\$7,437	\$7,137
1.0 Public Works/Util./Accountant - for impact fees if adopted	\$54,860	\$0
.5 Public Works/Util./Water/Para-professional	\$9,360	\$0
1.0 Public Works/Util./Engineering/Antelope Valley Mgr.	\$123,365	\$0
1.0 Law/Assistant City Attorney – Prosecutor	\$57,244	\$0
.5 Bldg. and Safety/Intermediate Level Workers	\$7,800	\$0
1.0 Urban Dev./Community Resource Specialist	\$46,463	\$0
<u>1.0</u> Mayor/Economic Development Coordinator	<u>\$102,042</u>	<u>\$2,042</u>
13.7 Positions added	\$634,632	\$223,511
-28.6 Positions eliminated (Est.)	-\$1,187,414	-\$576,866
<u>-7</u> All Other Net Changes(Est.)	<u>-\$10,920</u>	<u>-\$10,920</u>
-15.6 Net Change in FTE's	-\$563,702	-\$364,275

REVENUE PROJECTIONS TAX FUNDS

Following is a schedule of revenue sources used by tax and tax subsidized funds. Further details on the various revenue sources and significant changes from the prior year follow the schedule. Revenue projections were based on a combination of historical trends, changes identified by City departments collecting the revenues, and program changes included in this budget.

TAX FUNDS REVENUE

	2001-2002 Council Adopted	2002-2003 Council Adopted	% Change
Property Taxes-Debt Service	\$5,450,607	\$5,438,516	-.2%
Property Taxes-Operations	\$24,907,545	\$26,068,617	4.7%
Sales Tax	\$47,462,085	\$47,612,196	.3%
Occupation Tax	\$7,819,746	\$8,708,690	11.4%
In-Lieu Of Tax (State)	\$3,337,933	\$2,375,646	-28.8%
Motor Vehicle Tax	\$3,183,800	\$3,878,000	21.8%
Permits and Fees	\$2,548,757	\$2,809,440	16.8%
In-Lieu Of Tax (LES)	\$1,211,610	\$1,200,000	1.0%
Intergovernmental	\$1,463,398	\$1,769,166	10.3%
Reimbursement. for Services	\$1,551,511	\$1,725,177	11.2%
Recreation Receipts	\$1,812,071	\$1,697,782	-6.3%
Parking Meter Revenue	\$935,000	\$835,000	-10.7%
County Library Tax	\$551,628	\$586,372	5.5%
Earned Interest	\$1,277,000	\$469,579	-63.2%
Interest Property Tax	\$77,000	\$108,000	40.3%
Rent	\$369,114	\$348,812	-5.5%
Administrative Fees	\$880,019	\$803,500	-8.7%
Sundry Taxes	\$44,125	\$43,272	-1.9%
Miscellaneous	\$700,361	\$463,239	-33.9%
Revenue Before Balances	<u>\$105,583,310</u>	<u>\$106,941,004</u>	<u>1.3%</u>
Appropriated Balances	<u>\$5,063,016</u>	<u>\$6,111,631</u>	<u>20.7%</u>
Total Revenue	\$110,646,326	\$113,052,635	2.2%

SIGNIFICANT NET CHANGES IN REVENUE AND BALANCES**2001-2002 TO 2002-2003****\$2,406,309**

Property Tax (Operating)	\$1,161,072
Property Tax (Bonds)	-\$12,091
Motor Vehicle Tax	\$694,200
Sales Tax	\$150,111
Recreation Fees	-\$114,289
Occupation Taxes	\$888,944
Intergovernmental	\$305,768
Earned Interest	-\$807,421
Reimbursement for Services	\$173,666
Administrative Fees	-\$76,519
Balances	\$1,048,615
All Other Tax Fund Revenues (net)	-\$1,005,747

PROPERTY TAX

Property Tax revenue required to fund the 2002-2003 Budget increases \$1,149,281 or 3.8%, over that required for the 2001-2002 Budget. The value created by new growth (improvements, new construction, additions of new property to the tax base and annexations) in the tax base is estimated at \$340,274,012 or 3.17% over the current year, prior to any revaluation of property. Total growth in the tax base, which also includes the revaluations of current property and any other adjustments, is estimated at 3.8%. As a result of the percentage change in revenue growth and the change in the property tax base being the same, the tax rate remains unchanged for the 2002-2003 fiscal year.

The following table illustrates the effect of the 2002-2003 Budget on a \$110,000 home compared to the 2001-2002 Budget.

Property Taxes on a \$110,000 Home 2002-2003 Budget For Illustration Purposes Only				
	2001-02	2002-03	Change	% Change
Tax Rate per \$100	.31452	.31452	.00000	0.0%
Actual Property Tax Bill				
– City Services	\$345.97	\$345.97	\$0.00	0.0%

SALES TAX

Sales tax collections during the 2001-2002 fiscal year were negatively impacted by the slow economy and a record high rate of refunds which are part of the business incentives provided by LB 775. Actual collections for the 2000-2001 fiscal year were \$1,537,950 below estimates and collections for 2001-2002 were \$2,068,597 below projections. Legislation passed by the Nebraska Legislature expanded the sales tax base to include certain services. This expansion of the tax base is anticipated to bring in \$634,091 more than the old tax base would have generated, but will only be collected by the City beginning in December of 2002. This is due to the tax being implemented in October with a two month lag for the City to receive it. These revenues from the expanded tax base are included in the 2002-2003 estimates. Lincoln's budgeted collections for 2002-2003 reflect a 4.9% increase over actual collections for 2001-2002 and a .3% increase over budgeted revenue for 2001-2002. Without the \$634,091 from the expansion of the tax base included in the projections, budgeted collections for 2002-2003 would be 3.5% greater than actual collections for 2001-2002 and 1.0% less than budgeted collections for 2001-2002.

SALES TAX

	2001-2002 Projected Collections	2001-2002 Actual Collections	2000-2001 Refunds	2001-2002 Refunds	2002-2003 Projected Collections
September	\$3,785,509	\$3,197,605	(\$472,215)	(\$646,545)	\$3,805,227
October	\$4,017,377	\$3,737,474	(\$127,363)	(\$379,290)	\$3,964,952
November	\$4,131,387	\$3,993,488	(\$448,872)	(\$132,336)	\$4,016,628
December	\$3,776,505	\$3,615,893	(\$193,085)	(\$240,014)	\$3,800,516
January	\$3,894,766	\$4,066,908	(\$352,999)	(\$74,082)	\$4,040,104
February	\$4,819,828	\$4,473,291	(\$115,206)	(\$509,277)	\$4,932,688
March	\$3,573,598	\$3,480,060	(\$303,779)	(\$428,507)	\$3,593,812
April	\$3,441,008	\$3,307,525	(\$478,438)	(\$333,878)	\$3,415,295
May	\$3,999,376	\$3,773,581	(\$79,461)	(\$176,292)	\$4,044,802
June	\$3,898,683	\$3,728,951	(\$47,618)	(\$127,168)	\$3,842,796
July	\$3,926,655	\$3,851,488	(\$235,932)	(\$181,863)	\$3,964,939
August	\$4,197,393	\$4,167,224	(\$0)	(\$63,949)	\$4,190,437
Total	\$47,462,085	\$45,393,488	(\$2,854,968)	(\$3,293,201)	\$47,612,196

Other revenue sources showing notable changes for next year are highlighted below.

MOTOR VEHICLE TAX

This category increases \$694,200 based on actual receipts. Current year actual receipts are running well ahead of projections and the percentage increase in growth in this revenue source has been excellent from year to year.

OCCUPATION TAX

This category increases \$888,944 (+11.4%) because the increase in the Telecommunications occupation tax rate from 3.8% to 5. 5% implemented during the current fiscal year and in effect for ten months. Collections at the higher rate will be in place for the entire fiscal year of 2002-2003. An offset to the increases in the Telecommunications occupation tax revenue was the loss of about \$250,000 due to an FCC ruling that internet service revenue provided by cable TV franchises was not subject to inclusion in gross receipts for purposes of calculating tax remittances to local governments.

IN LIEU OF TAX – STATE

This category decreases \$962,287 (-28.8%) due to the State of Nebraska reducing State Aid by 25% during the Legislature's special session in the fall of 2001 and the regular session of 2002. In addition, amounts projected to be received from the Municipal Equalization Fund are projected to be reduced \$190,000 due to less money being available for distribution by the State from this source.

REIMBURSEMENT FOR SERVICES

This category increases \$173,666 (+11.2%) due to inflationary costs the General Fund gets reimbursed for and \$90,000 of estimated revenue from making criminal histories available over the internet.

RECREATION RECEIPTS

This source of revenue decreases \$114,289 (-6.3%) due to recent actual receipts being below previously forecasted amounts. This is in spite of various rate increases and revenues from new facilities with projected receipts of \$154,644.

ADMINISTRATIVE FEES

This category decreases \$76,519 (-8.7%) primarily due to forecasted amounts for additional revenue through recovery of costs incurred by the City administering non-moving traffic violations not meeting expectations. These fees were increased in August of 2001 and the actual amount of additional revenue being realized is not fully meeting previously forecasted amounts.

EARNED INTEREST

Interest revenue is projected to decrease \$807,421 (-63.2%) due to large drops in interest rates the City receives on investment of idle cash balances. The City is purchasing similar investments at about 1.9% compared to greater than 5% a year earlier, causing a comparable reduction in revenue.